

m/021/004



6500 Mineral Drive  
Coeur d'Alene, ID 83815  
Phone: (208)769-4100

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APR 19 2002

DIVISION OF  
OIL, GAS AND MINING

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DATE:

April 19, 2002

TO:

Wayne Hedberg

COMPANY:

DNK

FAX NO.:

(801) 359-3940

FROM:

John Galbavy

RE:

Escalante Silver Mine

Total number of pages, including this cover sheet:

5

MESSAGE OR ADDITIONAL COMMENTS

## CONFIDENTIALITY NOTICE

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VIA FACSIMILE (435) 628-4145

April 19, 2002

Clifford V. Dunn, Esq.  
P.O. Box 2318  
St. George, UT 84771-2318

Re: Hecla Mining Company - Dixie Cable Purchase and Sale Agreement  
dated September 11, 1998 ("Agreement")

Dear Mr. Dunn:

Hecla is in receipt of a letter dated March 18, 2002 from the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining ("DNR") concerning the property ("Property") your clients purchased from Hecla in accordance with the above-referenced Agreement. A copy of DNR's letter is attached hereto. According to DNR's letter, your client has not yet completed the cleanup activities in compliance with applicable state laws. More specifically, the state is requiring Dixie Cable to take action with respect to the materials left in the thickener and a land use change of the Property from mining to industrial. Therefore, Dixie Cable is in breach of the Agreement, specifically sections 2. D., 7. A. 2. and Exhibit C.

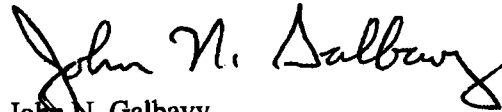
We understood from Dixie Cable's last meeting with Hecla representative, Alan Wilson, in July 2001 and your letter to us dated September 20, 2001 that these activities were taken care of or would be taken care of very soon. Obviously, that has not occurred by virtue of the letter from DNR. Therefore, Hecla makes demand on Dixie Cable to complete the cleanup activities and land use change for the Property by May 17, 2002 as required by DNR. If Dixie Cable cannot complete the land use change by that date, an acceptable alternative may be to transfer the permit from Hecla to Dixie Cable and your clients post the requisite bond as DNR suggests in its letter. The land use issue is important to us because DNR is holding up release of our surety until your client either completes the land use change or posts a substitute bond.



Clifford V. Dunn, Esq.  
April 19, 2002  
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If Dixie Cable does not complete these activities by the date required by DNR, Hecla may pursue legal action against Dixie Cable and its principals for breach of the Agreement, including recovery of attorney's fees in accordance with section 8. H. Please contact me if you would like to further discuss this matter.

Very truly yours,



John N. Galbavy  
Corporate Counsel and  
Assistant Secretary

JNG:tdh

c: Wayne Hedberg, Utah DNR  
Chris Gypton, Hecla



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

Rec'd 3/21/2002

March 18, 2002

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 3960

Mr. Chris Gypton  
Hecla Mining Company  
Box C-8000  
6500 Mineral Drive  
Coeur D'Alene, Idaho 83814

Re: Status of Proposed Post Mine Land Use Change and Surety Release Request, Escalante Silver Mine, M/021/004, Iron County, Utah

Dear Mr. Gypton:

This letter is in response to the latest documents received from Hecla Mining Company on April 20, 2001, and from Dixie Cable on September 24, 2001 concerning the status of the post mining land use change request and surety release. Our response was delayed pending the resolution of the federal/state land ownership dispute, and notification from Hecla that the waste rock pile reclamation was complete.

Dixie Cable's September 24<sup>th</sup> correspondence clarifies their intended post mine land use of the property. The proposed land use is non-mining related and would not require a permit from our office. The following issues remain unresolved:

1. The BLM/State Trust Land Administration land trade issue still has not been finalized. This issue remains as one of the approval conditions to the post-mine land use proposal.

*Recent consultations with BLM officials indicate that it may be several more weeks before this matter is resolved. For more information in this matter please contact: Mr. Joe Incardine (BLM State Office) at (801) 539-4118. The School and Institutional Trust Land Administration contact is Kevin Carter at (801) 538-5160.*

2. The second issue concerns the outstanding waste rock pile reclamation. Hecla agreed to reclaim the waste rock pile last fall (as per your April 17, 2001 letter). Based on a site inspection on February 27, 2002, it was observed that this reclamation work has not been performed.
3. The third issue involves the process waste material left in the thickener tank (estimated 50 cu. yds.). This material needs to be properly cleaned up and disposed of, or removed for

Page 2  
Chris Gypton  
M/021/004  
March 18, 2002

supplemental processing as originally proposed by Dixie Cable. Written confirmation that this waste material has been appropriately handled is required.

**Note:** *Items #4 & 5 below are not tied to the post-mining land use change request.*

4. A fourth issue that must eventually be resolved concerns the reclamation of the access road to the tailings pond. Hecla's April 17<sup>th</sup> letter indicated that the road must remain intact until the ground water monitoring is completed in the year 2010. Hecla also provided estimated costs for the monitoring and road reclamation. These reclamation and monitoring requirements will remain under the reclamation surety until they are completed.
5. The fifth issue concerns the request for partial release of surety for the tailings pond reclamation. This matter is contingent upon Hecla and the BLM agreeing on a monitoring and contingency plan to deal with the knapweed infestation. A letter from the BLM dated August 27, 2001, proposed such a plan. Has a final agreement been reached between Hecla and the BLM concerning this issue? Please provide updated information in this regard.

If appropriate resolutions to items #1 – 3 cannot be reached within 60 days of your receipt of this letter, the Division will reject and return the post-mining land use proposal. A transfer of the pertinent mine properties and facilities from Hecla to Dixie Cable, could be facilitated through a formal permit transfer process. Posting of appropriate reclamation surety by Dixie Cable would be required until the outstanding land use change concerns were resolved. The Division may be forced to pursue bond forfeiture proceedings, if Hecla is unable or unwilling to perform the required reclamation.

If you have questions or concerns regarding the issues outlined in this letter, please contact me at (801) 538-5286, or Lynn Kunzler at 538-5310. We look forward to the receipt of your response and to the final resolution of the remaining issues.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
cc: Clifford V. Dunn, Esq.  
Carl Hartman, Dixie Cable  
Ed Ginouves, BLM  
Mary Ann Wright, DOGM  
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